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COPY NO. 70
OCI NO. 0404/62

16 February 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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State Department review completed

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WEEKLY REVIEW

LAOS

Antigovernment forces have continued sporadic shelling of the provincial capital of Nam Tha, apparently in an effort to force General Phoumi into a resumption of negotiations for a coalition cabinet. Souphannouvong on 12 February declared that his forces--comprising a major portion of those besieging the town--would continue the bombardment "for political reasons." Phoumi, undeterred by such pressure, has continued to augment his garrison there. With the arrival from southern Laos on 11 February of a fresh paratroop battalion, the defending forces now number six battalions.

Souvanna, still trying to reconcile the divergent factions, is scheduled to have an audience with King Savang on 16 February, presumably to be followed by a meeting with Phoumi. Chances for any substantive agreement, however, are slim; neither Phoumi nor Souvanna has indicated a willingness to surrender to the other the defense and interior posts. Phoumi will probably press for adoption of his concept of a federation of the three factions under King Savang, but it is almost certain that this would be opposed by the Communists even if the King should acquiesce.

The deployment of Thai military units along the Laotian border underscores Bangkok's anxiety over recent Laotian developments. This move by Sarit may encourage Phoumi in his determination to resist the imposition by the major Western and bloc powers of what he undoubtedly feels to be an unsatisfactory political settlement.

Soviet officials attribute the delay in achieving a settlement to insufficient pressure by the West on Vientiane. Soviet Chargé Smirnovsky on 13 February delivered an official statement to Ambassador Harriman in which the USSR said that "it was now necessary for the US Government to state directly and openly" its opposition to Vientiane's claims to the posts of defense, interior, and foreign affairs.

Soviet Ambassador Abramov, although he has joined the British ambassador in efforts to reach a peaceful solution, has been truculent in his conversations with Western representatives and has indicated that the loss of Nam Tha would be "just punishment" for Phoumi. However, Abramov has not pursued this line in the talks at Khang Khay with Souvanna and Souphannouvong.

The Soviet ambassador's charge of US support for Phoumi's "provocatory" actions in Laos has been given increased Soviet propaganda support during the past week. A domestic broadcast on 8 February observed that "Laos again faces the danger of large military clashes," and stated that Phoumi's actions had the full support of the United States. The broadcast stated that to withdraw "lawful government troops" from the Nam Tha area would be to "give in to Phoumi's demands" and pave the way for additional "military provocations." Jeering at the "bankruptcy" of US policy in Laos, the commentary urged the speedy formation of a coalition government along the lines proposed by Souvanna Phouma. 25X1

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CONGO

Shortly after he signed the agreement at Kitona with Premier Adoula on 21 December, UN officials said they would give Moise Tshombé one month to begin implementation of the UN resolutions as agreed to in the document, particularly on the expulsion of his white mercenaries. UN officials during the past week have stepped up their pressure on the Katangan leader, and this, plus some reinforcement of UN military strength in the Elisabethville area, has markedly increased apprehensions among the Katangans that the UN, particularly its military commanders, is bent on initiating a "third round" of hostilities. Their apprehensions have been increased by the appointment of the new UN civilian chief in Katanga--Jose Rolz-Bennet, a Guatemalan reputed to be sympathetic to the anti-Tshombé line espoused by the Afro-Asian states.

Tshombé has agreed to UN requests to have mixed UN-Katangan inspection teams visit Jadotville, Kolwezi, and Kipushi, the three Katangan strongholds outside Elisabethville where most of Tshombé's mercenaries are believed to be. Such teams made perfunctory inspections at Jadotville and Kipushi on 10 February without incident. Tshombé reportedly has also agreed to the UN's request to station its forces at all three locations as a follow-up to the inspection teams. He has warned, however, that without careful "preparation," the move of UN forces might provoke resistance. Belgian Foreign Ministry officials suspect that Tshombé was much less clear in accepting the troop move than UN officials say he was.

Union Miniere officials in Brussels told Ambassador MacArthur that sending the UN troops into these towns would "risk a major disaster," and Belgian Foreign Minister Spaak has expressed similar concern.

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Katangan "last ditch" opponents of a reconciliation with Leopoldville may try to oust Tshombé should he "betray" Katanga. The US Consulate believes Katanga Minister of Interior Munongo in particular would try to promote militant action by the Conakat youth organization if he felt his position were endangered.

UN officials in New York deny they are planning to initiate hostilities but cited the need for freedom of movement for UN troops outside Elisabethville if the UN resolutions are to be enforced. U Thant has said that no military action will be undertaken without his approval, and that if efforts to expel the mercenaries are thwarted he will consult with UN members before allowing any military action. Reports indicate that Rolz-Bennet, as a result of widespread expressions of concern, is proceeding more cautiously than previously.

Tshombé's UN-appointed legal adviser described Tshombé's initial proposals for a Congo constitution as "looser than the US Articles of Confederation." Tshombé has been insisting he must have the services of a constitutional law expert before his assembly could make any final decision on the Kitona accord. This adviser, who arrived in late January, met with Tshombé for the first time on 12 February and has only now been brought into the assembly's consultations. He is not optimistic that he can convince the legislators to come up with a realistic resolution.

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Adoula remains skeptical that Tshombé will accede to the Kitona agreement. He feels that Tshombé is playing for time and doubts the willingness of the UN to bring Tshombé to heel. During his American visit, Adoula again raised his long-standing proposal that Congolese Army forces be sent into southern Katanga. Adoula stated publicly on 14 February that progress on a settlement with Tshombé had been "very slim."

The premier this week won a parliamentary vote of confidence on his handling of Gizenga. Pressure is growing, however, even from Adoula's supporters, for the government to bring formal charges against the former Stanleyville leader in order to deny him the martyr's role that might result from indefinite imprisonment without trial. There are still strains between the moderates and radicals in the cabinet, and the embassy believes that for this reason the government does not want to face the Gizenga issue.

Adoula has made some shifts in his cabinet this week which indicate he is not ready for any showdown with the radicals. Radical Minister of Interior Gbenye, instead of being dropped, has been kicked upstairs to a deputy premiership and replaced by Gizenga's leftist rival, Leopoldville provincial President Cleophas Kamitatu. Jean Bolikango, a political leader from Equateur Province who has been on both sides of the fence but more recently has played with the radicals, has been brought in as another deputy premier. This appears to be an attempt to strengthen ties between Leopoldville and Equateur Province.

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FRANCE-ALGERIA

French and provisional Algerian government (PAG) officials continue to express optimism over prospects for early conclusion of their secret negotiations. Details on a transitional period between sole French rule and Algerian independence now are being worked

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25X1 [redacted] Meanwhile, however, French control in Algeria is weakening in the face of activity by both the Algerian rebels and the Secret Army Organization (OAS), and the growing left-right split in France itself could have the effect of strengthening rightist forces opposed to De Gaulle's Algerian policy.

The meeting of top-level French and PAG negotiators which began last weekend reportedly dealt with formal PAG counterproposals which had been drafted last week, apparently in response to a French memorandum. [redacted] 25X1

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Dissatisfaction with the PAG's conduct of negotiations reportedly still exists within units of the rebel fighting forces, who feel that they have been inadequately informed on the negotiations and believe that premier Ben Khedda, along with foreign minister Dahlab and information minister Yazid, have made too many concessions. Ben Khedda appears to be in control of the situation, however, and it is unlikely that dissatisfied rebel military commanders could prevent ratification of an accord by the National Revolutionary Council.

There are indications of increasing paralysis of the French administration in Algeria, although there are no reports of any recent change in OAS tactics on overall strength.

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The French Army's firing on a Moslem mob during the 14 February riot in Oran will further increase racial tension in that city, generally conceded to be an OAS stronghold.

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There is some evidence that ex-general Salan, nominal head of the OAS, now regards himself as a "prisoner" of its more rabid elements who can be expected to attempt to provoke a mass settler uprising at the first opportunity, such as announcement of a cease-fire or public negotiations. The French Government reportedly is concerned over the possibility that, if an accord is reached and implementation begun, about one tenth of the approximately 60,000 Moslem troops serving in the French Army and a "substantial number" of the approximately 16,000 Foreign Legionnaires will desert and join the OAS guerrilla effort.

Meanwhile, in France, the repressive measures used by Paris police in the 8 February leftist demonstrations against the OAS

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have brought the government under widespread political attack. Even though other leftist groups seem aware of the Communist party's exploitation of such incidents to foster a "popular front" atmosphere, their leaders are under increasing public pressure to "go along." The peaceful character of the 12-13 February demonstrations and strikes showed Communist discipline and probably increased prospects for further unity of action regardless of the personal views of such leaders as Socialist party secretary general Mollet. The net effect of such action will be to increase the suspicion of military and moderate civilian elements and thereby swing many of them behind rightists who wish to reverse De Gaulle's Algerian policy, by political pressure or more extreme measures.

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SOVIET FOREIGN POLICY DEVELOPMENTS

Moscow last week made a number of diverse moves which Khrushchev probably calculates will draw the West into top-level contacts later in the year. His probable aim is to use a summit conference as the occasion for new Soviet disarmament proposals and to consider the diplomatic impasse on Berlin.

The USSR publicized the release of Francis Powers on 10 February as an effort to improve US-Soviet relations. This was followed on 11 February by Khrushchev's relatively moderate letter proposing that the heads of government--rather than the foreign ministers, as the West had suggested--meet at Geneva prior to the 18-nation disarmament conference opening on 14 March. Khrushchev retained a free hand to accept the Western proposals and press for a summit later.

At the same time, the USSR resumed pressure on the Western position in Berlin by attempting to impose temporary conditions on the use of the air corridors. This maneuver, together with Gromyko's adamant stand in the Moscow talks with Ambassador Thompson, suggests that Khrushchev is seeking to impress on the Western powers that Berlin remains a potentially dangerous situation.

Khrushchev's Proposals

Khrushchev's letter of 11 February was nonpolemical and in sharp contrast to vitriolic Soviet propaganda that US policy is hypocritical. Khrushchev noted that US and Soviet "reasoning, on the whole, runs in the same direction," and he expressed hope that the West would "rightly understand the motives which have prompted" the Soviet proposal. He went to some lengths to disclaim that his proposal was a mere propaganda gesture by admitting that participation by the heads of government was "unusual" and by claiming that he was actually drafting his proposal when the letters from President Kennedy and Prime Minister Macmillan were received. Moreover, he acknowledged that the heads of government could not be expected to complete a final treaty, but that their presence would provide the committee with a "powerful and correct start" and open the way for a "breakthrough in international relations."

Khrushchev's immediate and tactical aim in calling for an 18-nation summit was to regain the initiative by countering the US-UK proposals. He emphasized that "direct contacts between national leaders" had become an "established international practice," and he accepted the President's proposals for a "broader exchange of opinions" between the heads of government. Moreover, he did not rule out acceptance of the Western proposal for a foreign ministers' conference to precede the Geneva meeting, stating: "It goes without saying that the foreign ministers must also take part...both with the heads of government and in the subsequent period...."

Khrushchev specifically stated that the heads-of-government meeting he proposed should not be considered a substitute for a summit meeting "as it is generally understood." This may foreshadow an effort to arrange a four-power summit at a later date with an agenda broader than disarmament, or to use an 18-nation heads-of-government meeting as the forum for establishing contacts with the US on other international issues, particularly Berlin.

While the release of Powers and the Khrushchev letter point toward a Soviet effort at establishing a more favorable climate for resuming top-level contacts, Khrushchev has been careful not to overcommit the USSR to a general relaxation of tensions. His letter was followed by an authoritative Pravda "Observer" article on 13 February which sharply attacked the West for proposing a foreign ministers' conference while preparing for a series of nuclear tests. Khrushchev's letter, moreover, left open the possibility that he might go to Geneva regardless of the Western position. He may view the Geneva conference as an ideal forum to project an image of greater interest in disarmament than the West, and may believe that the prospect of attendance by some neutral leaders would force a reversal by the West.

The presence of other leaders might appeal to Khrushchev if he plans to unveil some new disarmament package. His letter avoided all the substantive points raised by the President and Prime Minister Macmillan. This failure to reply, particularly on the important question of dividing disarmament into three separate categories for immediate consideration, suggests that he may initiate further correspondence on the substantive issues. Soviet diplomats in London have hinted that Moscow is considering new comprehensive disarmament proposals which would include the standard plan for complete and general disarmament plus some immediate steps in the field of European security and partial disarmament.

The USSR may be considering putting forth a formal proposal which would be restricted to a ban on atmospheric tests in line with the Kennedy-Macmillan proposal of 3 September. Soviet leaders would probably calculate that such a proposal could embarrass the West and draw considerable support from the nonaligned powers represented at Geneva.

Since the US-UK announcement of tentative plans for US atmospheric tests at Christmas Island and British underground testing in Nevada, Moscow has initiated a propaganda campaign charging that the tests are a "certainty" and accusing the West of having broken off the test ban talks to continue with its test program. A Pravda article said that the new series of Western tests "is clearly linked" with plans for making NATO a fourth nuclear power. Izvestia warned that if the West conducts nuclear tests, "the Soviet Union will have to resume testing."

Berlin and Germany

Soviet moves to demonstrate a willingness to negotiate with the West have not been accompanied by any effort at compromise in the Thompson-Gromyko talks. While Gromyko has simply reiterated previous positions, he has not yet indicated that he is ready to break off the dialogue. The Soviet attempts

this week to place temporary restrictions on Western use of the Berlin air corridors, together with the deliberate stalling in the Thompson-Gromyko talks, may be aimed at inducing the Western powers either to move directly into formal negotiations or to make concessions.

By resorting to unilateral moves in the sensitive area of access, the Soviet leaders may be attempting to demonstrate that Khrushchev's withdrawal of a deadline for a separate treaty should not be interpreted as an indication that Moscow will be content with the status quo in Berlin. This attitude was emphasized in a long article in a special edition of Izvestia on 11 February which accused the West of avoiding solutions of major international issues and of playing for time, particularly on the Berlin question.

Soviet interference with air access to Berlin began on 7 February when the Soviet controller at the Berlin Air Safety Center (BASC) announced that Soviet military transports would "engage" the southern air corridor from Frankfurt to Berlin at altitudes up to 7,000 feet for three and a half hours on 8 February. While it is unusual but not unprecedented for Soviet planes to conduct maneuvers in the corridors, the prior announcement and attempt to "reserve" the bulk of the corridor airspace were clearly designed to infringe on unrestricted Western access. The Soviet controller refused to file flight plans for Soviet aircraft, as is customary, and refused to guarantee flight safety for Western aircraft flying within the altitudes "engaged" by the Soviets.

The procedure was repeated for the northern and central corridors on 9 and 12 February, although on the latter date the Soviets canceled their restrictions. However, restrictions were reinstituted for 14 February, and for 15 February for the southern corridor. For the first time, the Soviets warned that if Western aircraft flew at altitudes planned for Soviet planes, this would be considered as "trespassing with resultant consequences."

This warning was followed by a "strong protest" against alleged Western violations of established procedures and a demand that Allied flights cease unless given specific Soviet approval. These moves, together with the first deliberate harassment of incoming flights on 14 February and again on 15 February, indicated that the Soviets were carefully but deliberately raising the level of tensions. The further attempts to impose conditions on Western flights on the grounds that the Allies must have Soviet approval may have been intended as an implicit warning that the Soviets would withdraw from the four-power air safety center. 25X1

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SINO-SOVIET TREATY ANNIVERSARY

Activities in the USSR and China celebrating the 12th anniversary of the signing of the Sino-Soviet treaty of alliance were the most perfunctory in the treaty's history. Last year's ceremonies seemed designed to create the impression that issues actually still in dispute had been resolved at the Moscow conference of November 1960 and to ridicule any idea that the alliance was falling apart. This year Chinese complaints and Soviet threats overshadowed the sullen professions of harmony.

In Peiping, the annual rally--on 13 February--was played down and the Chinese politburo was represented only by Foreign Minister Chen Yi--in contrast to 1961, when Premier Chou En-lai and politburo member Peng Chen were also present. The principal Chinese speech at the rally this year was delivered by Lin Feng, a lesser official seldom in the news. As in 1961, the USSR was represented by its ambassador in Peiping, but the usual friendship delegation from Moscow was conspicuously absent.

In Moscow, the annual reception by the Chinese ambassador--which Khrushchev, Mikoyan, and Suslov attended last year--was replaced by an undistinguished friendship meeting at which the leading Soviet official was Foreign Minister Gromyko.

The Chinese used the anniversary to imply that Khrushchev rather than Mao is responsible for weakening the alliance. Lin Feng in his speech insisted that the Chinese have "always" considered defending Sino-Soviet unity a "sacred international duty," but that revisionists and reactionaries are trying "to sow discord and undermine the solidarity" between the two countries. Quoting from Liu Shao-chi's statement of 1960, Lin warned that "any word or deed detrimental to unity between our two parties and countries, any word or deed damaging to the basis of this unity" will not be tolerated. People's Daily on 14 February used the same quote and by implication complained that Khrushchev is employing all means to "alienate" the treaty partners.

Soviet Ambassador Chervonenko, who followed Lin at the rostrum, defended Khrushchev, claiming that the Soviet premier "has always exerted and will exert every effort to strengthen this great friendship." This statement, which quotes Khrushchev, was repeated by a Soviet commentator on 14 February. However, Chervonenko contradicted himself when he warned the Chinese that their failure to adopt a friendly attitude toward the USSR might jeopardize the military alliance. "What the Soviet Union possesses alone is enough to crush any potential enemy, should he attack us or our friendly socialist countries." A similar hint that Soviet protection might be provided in the future only to "socialist countries which are friendly to us" had been made by Marshal Malinovsky on 25 January and by Admiral Gorshkov several days later.

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These threats reverse Soviet statements of support made last year, particularly Suslov's pledge--using Khrushchev's words of 1958--that the USSR will consider "an attack on China as an attack on the Soviet Union." A sarcastic reference to China's military weaknesses was made by a Soviet commentator on 14 February when he stated that the alliance "was of tremendous importance in reinforcing the international standing" of the Peiping regime--"the young socialist power in Asia." The Russians also pointed out to the Chinese that the treaty allegedly prevented "the US from attacking China" during the Korean hostilities.

In line with this treatment, Moscow is trying to portray the Chinese "hard" line against the US as ineffective bluster and bluff. An article in Izvestia on 4 February stresses that the West "cannot be kept in check by loud incantations and curses." "To restrain the forces of imperialism requires a comprehensive strengthening of the economic, political, and defensive might of the socialist states." Implying that Mao's line of "head-on struggle" causes the West to strengthen its forces, the article insists that disarmament tactics constitute an "active and effective" way to struggle for peace.

The Izvestia article is intended to support Khrushchev's effort to retain freedom of action in implementing tactics of peaceful coexistence against the West. Lenin is portrayed as stressing the need to combine ideological devotion "with the ability to enter into all necessary practical compromises" and as teaching Communists to have "maximum flexibility" in tactics. "Peaceful coexistence exists... regardless of whether it is liked by the gentlemen imperialists or the dogmatists." The article attacks "the Albanians" for openly criticizing the premises of Khrushchev's foreign policy at the World Peace Council meeting last December.

Lin Feng made it clear at the Peiping rally that the Chinese line of trading "blow for blow with the US" has not and will not be softened, despite Soviet pressure.

Further cutbacks in Soviet economic support for China--already limited to trade--may be in store, but this prospect is unlikely to influence the Chinese stance. Sino-Soviet trade negotiations for 1962, under way in Moscow for nearly two months, are likely to be especially difficult this year because of the dispute. Financing massive food imports during the past year already has forced Peiping to shift foreign trade priorities toward greater attention to sales in Western markets at the expense of bloc commitments. Simultaneous probes for Western industrial equipment and raw materials formerly imported almost exclusively from the USSR and the Soviet bloc strongly suggest that Peiping is also exploring alternative sources for these imports should the dispute with Moscow lead to an even more drastic cutback in trade with the bloc. (Prepared jointly with ORR) 25X1

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SOVIET LITERARY FERMENT

Pressure from Soviet writers for greater freedom in creativity has increased significantly since the 22nd party congress last fall. Individual writers are apparently probing to discover how far they can proceed in describing the realities of Soviet life; spokesmen for the regime, in turn, have criticized some of them for moving out too far, but the party leaders have yet to make an authoritative statement which spells out the line. In this field, as in several other areas of policy, the Kremlin apparently has been undecided since the congress as to the best way to proceed.

At the congress, the long-established principle of socialist realism in the arts--concentration on the positive aspects of life in "building communism"--was reasserted. It was challenged, however, by poet A. T. Tvardovsky, who insisted that people and their surroundings should be portrayed as they are, including the negative aspects. Since that time, exponents of both schools have been contending openly. The orthodox authoritarian group, however, appears to have only a limited number of disciplinary weapons at hand short of intervention by the Kremlin itself. The problem is complicated by the fact that public criticism tends to increase popular interest in the work criticized. The international scandal resulting from the treatment of Pasternak in 1958 has made the regime wary of forcing expulsion from the Writers' Union.

Proponents of socialist realism have centered their fire on a novel by Vasily Aksenov, Ticket to the Stars, and a movie script by V. Rozov, "A.B.C.D.E." --both stories of rebellious and disoriented Soviet youth. A Pravda editorial inveighed against the authors; they were sharply criticized at the writers' plenum in Moscow in December; and veteran propagandist Leonid Ilichev devoted a full paragraph to their failings in his speech at the ideological conference in the same month. They have also been defended publicly, however, and one supporter noted that Aksenov had been invited to more than 50 "readers' conferences" in Moscow in the past two months.

The argument surrounding Vsevolod Kochetov's latest novel, The Obkom Secretary, has been still more heated. Published just prior to the party congress, it was generally regarded as an authoritative attempt to establish guidelines for writers in depicting the proper reaction to Stalin's "errors." The novel received uniformly favorable reviews until mid-December, when Literary Gazette charged that the hero, Denisov, failed in his duty as a candidate member of the party central committee when he found himself unable to condemn Stalin's crimes in view of the latter's great achievements. Kochetov and his critics have each gathered adherents in the literary press and at the writers' plenum.

The January issue of New World suggested that Denisov--Kochetov's ideal party official--was the sort of person who supported the "antiparty group" in 1957, and that characters in a 1958 Kochetov novel had themselves exhibited elements of the "cult of personality"--the Soviet euphemism for Stalin's crimes. There has been no official intervention in the increasingly bitter debate.

Other literary works have provided exposés of character erosion in the party ranks. The chief character in Lev Nikulin's novel, With New Happiness, had been a shepherd, a Red Army volunteer, and a Komsomol (youth organization) member. He eventually became a party member and head of a planning

bureau. His wife wrote to him before she committed suicide: "You no longer walk, you strut; you do not speak, you force the words through your teeth with an air of distaste, and so quietly that you can hardly be heard. This is so that people will hang on your every word--that is, of course, those who are dependent on you."

Oblique attacks have been made on the principle of party leadership in the arts. Valentin Ovechkin commented acidly in his latest play: "Formerly, creative people bore the obligation to think about everything. Now the party and government have freed them from this burdensome obligation to think, and all that is left to them is to write." An article published by the Institute of Philosophy listed "petty tutelage and administration" by the party as the most pressing problem of creative organizations. This last work drew criticism from a member of the central committee apparatus as "vague and confusing," but no public effort has been made to bring the authors to book.

Poet Yevgeniy Yevtushenko has described the current ferment in a new poem which ends:

Sometime,
Posterity will remember
--and will burn with shame,
When they shall have finished with shame and lies,
Those strange times
When
Common honesty was called courage.

In 1957, it took the intervention of Khrushchev himself to check the literary thaw. An equally dramatic step may be necessary this time to put a brake on the renewed ferment among Soviet writers.

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EAST GERMAN ECONOMIC DEVELOPMENTS

Prospects for the continuation of German interzonal trade improved when negotiators for West and East Germany met in West Berlin on 26 January--for the first time since 1 November 1961--and then met again in East Berlin on 1 February. East Germany evidently wants to continue such trade in 1962, but over the long run it is committed to reduce Western imports and to integrate its economy more completely into that of the bloc.

Interzonal trade was organized until 1960 on a virtual barter basis, and imbalances were settled by additional shipments of goods. An agreement in August of that year, however, calls for annual settlement of imbalances in convertible currency. In anticipation of the next such settlement on 30 June 1962, the East Germans appear to be restricting their purchases in West Germany and accelerating deliveries in order to reduce their indebtedness. Their deliveries of coal briquettes in January exceeded shipments for that month in 1960 and 1961, and they have achieved a small surplus in subaccount 1, under which "strategic" materials are traded--i.e., steels, coal, petroleum products, some machinery, and chemicals. Coal and petroleum products comprise 40 percent of the East German deliveries.

East German purchases probably will be slow until June, but the 1962 economic plan reportedly has been completed and calls for trade with West Germany to continue at a volume not appreciably reduced from that of 1961. There are no large shifts in the categories of goods to be ordered, and the volume of steel purchases reportedly will continue at about the same level as last year. Acquisition of machinery, however, will be governed by East Germany's capability for repairing and

maintaining it. The East Germans would like more favorable credit terms for their purchases and an easing of current debt obligations, but it is doubtful that the West Germans will agree unless political concessions--particularly in regard to Berlin--are forthcoming in return.

The USSR in its efforts to isolate West Berlin from West Germany appears to be employing economic pressures against the city in hopes of creating a psychological impact significant enough to achieve a political advantage. In the last stages of negotiation of the 1961-65 trade treaty between the USSR and West Germany, Moscow sought to exclude West Berlin from the purview of the treaty. When the West Germans objected, a compromise was privately arranged whereby at the signing of the treaty, the West Germans handed a letter to the Soviet delegation stating that Bonn assumes that the area for which the new treaty is valid is unchanged--i.e., based on the 1958 trade agreement, which was applicable to the entire Deutsche Mark area, including West Berlin. The USSR made no comment on the letter, and the treaty was signed. The USSR receives some goods from West Berlin, but only a small part of the city's total trade is with the USSR. Therefore the economic effect of a cessation of Soviet trade would be negligible.

Until recently, the East Germans, in a carrot-and-stick approach, had attempted to increase direct contacts and contracts with West Berlin firms in order to support their ultimate goal of persuading West Berlin business that it is to their advantage to trade outside interzonal channels. There now are indications, however, that East Germany may restrict trade with West Berlin under current interzonal arrangements: foreign trade organizations reportedly have been ordered to cut business contacts with West Berliners to a minimum, and agents of West German firms who are residents of West Berlin have been denied entry to East Berlin, although West German members of the same firms were later admitted.

If the East Germans refused to trade with Berlin, the effect on the city's economy would be insignificant, assuming that arrangements could be made to obtain elsewhere the fresh foods and brown coal currently imported from East Germany. East Germany now accounts for about 0.9 percent of West Berlin's total exports and 2.2 percent of its imports.

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CHANGES IN THE CZECHOSLOVAK LEADERSHIP

The expulsion of Rudolf Barak from the Czechoslovak party and government at 6-7 February central committee plenum appears to be the result of internal party politics arising from conflicts created by the Soviet 22nd party congress last fall. At the time of his dismissal--on charges of misusing his former office of interior minister, misappropriating state funds, and unspecified "antiparty activities--Barak

was a politburo member, deputy premier, and chairman of the powerful Commission on National Committees. Although the actions taken against him are likely to be cast as part of the regime's "de-Stalinization" efforts, the move is probably designed as a warning to other young party leaders who do not favor many of the policies of party First Secretary Novotny.

Barak may have been one of those rumored to oppose the Czechoslovak leadership last fall. He was one of the strongest opponents of Khrushchev's policy of detente with the West --a policy which Novotny had to support--and he commanded considerable support from the party rank and file because of his otherwise pragmatic outlook. It is significant that the plenum which expelled Barak pointedly reaffirmed the decisions taken at the Soviet congress and those at the November plenum of the Czechoslovak party central committee. The latter included elimination of the last vestiges of the personality cult--notably removal of deceased leader Gottwald's body from its mausoleum and destruction of the 6,000-ton Stalin monument in Prague-- and support of the "Leninist" concept of peaceful coexistence and the unity of the international Communist movement.

However, except for the naming of a commission in January to study uses for the Stalin monument site and a few geographical name changes, nothing further has been done toward de-Stalinization. This caution by Novotny probably reflects the difficultdes he faces in the party and may have involved opposition by Barak.

As part of the effort to downgrade and to undercut any clique supporting Barak, Novotny had two of Barak's former comrades, Otakar Simunek and Jiri Hendrych, deliver reports which implied the need for improvement in the performance of the Commisssion on National Committees. Novotny had used the support of these three men in 1958 to effect some liberalization in the economy and to defeat the hard-line and nationalistic policies of Viliam Siroky, Baclav Kopecky, and former economic boss Jaromir Dolansky.

At this past week's plenum--at which Novotny personally read the charges against Barak-- Hendrych reported on the tasks of agriculture in 1962 and Simunek reported on the state plan for the development of the national economy. These are both fields in which Barak, as chairman of the Commission on National Committees, was supposed to correct faults. He reportedly gave up the Interior Ministry last July to concentrate on these problems-- although as deputy premier he is believed to have retained primary responsibility for internal security and national defense.

Until recently Barak had been considered Novotny's heir apparent. He was the youngest of the politburo members, and until his departure from the Interior Ministry his stock was constantly on the rise. Novotny apparently now has decided Barak had gained too much power and was becoming a threat. Other old-time members of the leadership were also probably worried about their future if Barak became the party leader after Novotny.

The appointment of Jan Pilar, a relatively unknown central committee industrial specialist, to Barak's post of deputy premier and the simultaneous replacement of Construction Minister Oldrich Beran-- who rose to prominence with Barak in 1953--by a regional party secretary suggests that other Barak followers may be replaced by minor officials on their way up. US Embassy observers in Prague do not think such a purge would be widespread, however.

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SOVIET-IRANIAN RELATIONS

Still seeking to draw Iran away from its commitments to the West, the Soviet Union has submitted to the Shah a new draft for a Soviet-Iranian agreement. The formulation this time is less direct than previous Soviet proposals but in effect would still restrict Tehran's participation in CENTO military planning and prohibit foreign missile bases in Iran.

The Soviet Union has long sought a nonaggression treaty which would exclude any foreign military installations or troops from Iranian territory. Such a pact would not only ease political and military pressure on the USSR's southern flank but would also provide Moscow with a useful precedent when dealing with other US allies. Moscow probably does not seriously expect to draw the Iranians into an agreement which would require them to forsake virtually all means of self-defense, but it continues probing actions to test their resolve to remain faithful to CENTO and to their bilateral defense agreement with the US.

The latest diplomatic maneuvers began when the USSR indicated in late December that it now was willing to negotiate with Iran on the basis of the Shah's offer--made in September 1959--unilaterally to prohibit foreign missile bases in Iran. Inasmuch as Iran had agreed to reopen discussions, the Soviet Union probably hoped to find a middle ground between this position and its own maximum demands.

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In mid-January the negotiations shifted to Tehran, and on 20 January Soviet Ambassador Pegov, in an audience with the Shah, presented the same demands made in Moscow. The Shah, in turn, repeated his offer restricted to missile bases--an offer which the Iranian foreign minister told the American ambassador satisfied Pegov. Whether Pegov was in fact satisfied is problematical, but there does appear to have been some softening of the Soviet position at about this time. Although Soviet overt and clandestine propaganda attacks on the Amini government predictably intensified during the student demonstrations of 21-25 January in Tehran, Radio Moscow's answer of 30 January to the Iranian accusation of the Soviet involvement in these events was notably mild and conciliatory, suggesting that a shift in Soviet tactics was being considered.

Apparently awaiting further instructions, Pegov postponed his scheduled meeting with the Iranian foreign minister from 27 January until 3 February, at which time he was informed of the wording of the note promised by the Shah. Pegov objected to the note, but only because it did not include an Iranian pledge of nonaggression toward the USSR and was not a bilateral agreement between the

two governments. The Iranian foreign minister repeated his government's position that it was willing only to make a unilateral pledge to the Soviet Union concerning foreign missile bases and declared that adequate guarantees of nonaggression could be found in the UN Charter.

Apparently to forestall the formal presentation of the Iranian note, Pegov went directly to the Shah on 8 February to deliver the new draft for a bilateral treaty. This included an Iranian declaration of intention not to allow its "territory to be used for aggression against the USSR," and denied to any foreign power the right to construct missile bases in Iran. Iran objects both to use of the term "aggression" and to the bilateral nature of the document.

The Iranians have shown themselves to be exceedingly persistent negotiators, but they have yet to achieve what they sought as a condition for entering into talks--a cessation of Soviet propaganda attacks on the Shah and the government of Amini. Nevertheless the Iranians will probably maintain the position they established in September 1959 and present the Soviets with a unilateral declaration of intent not to permit foreign missile bases on their soil.

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EXPANSION OF SOVIET BLOC CIVIL AIR ROUTES

The Soviet bloc in recent months has expanded its international civil air routes by concluding several new agreements with the African and Asian countries. The Soviet civil airline, Aeroflot, extended its new Delhi - Rangoon route by beginning weekly service to Djakarta on 31 January. The USSR has also approached the Cambodian Government about a civil air agreement, indicating that it hopes to include Phnom Penh on the Moscow-Djakarta route.

The USSR hopes to inaugurate regular service to Ghana and Guinea. Ghana Airways has announced that it plans to begin flights to Moscow early this year, but it may encounter difficulties in attracting enough passengers to make the operation profitable. A bilateral agreement between Aeroflot and Air Guinea was signed in mid-January; although there has not yet been any announcement of scheduled flights, regular service may be inaugurated in the near future--probably in conjunction with a route to Ghana.

Meanwhile, the USSR, apparently proceeding on the assumption that talks for a civil air agreement with the US will be resumed, has been negotiating with the Scandinavian countries for overflight and landing rights for proposed flights from Moscow to New York. These talks appear to have encountered difficulties because of Soviet refusal to extend adequate reciprocal rights.

On 3 February the Czech civil airline inaugurated regular air service to Havana--the first route to Latin America by any bloc country. Although Cuba

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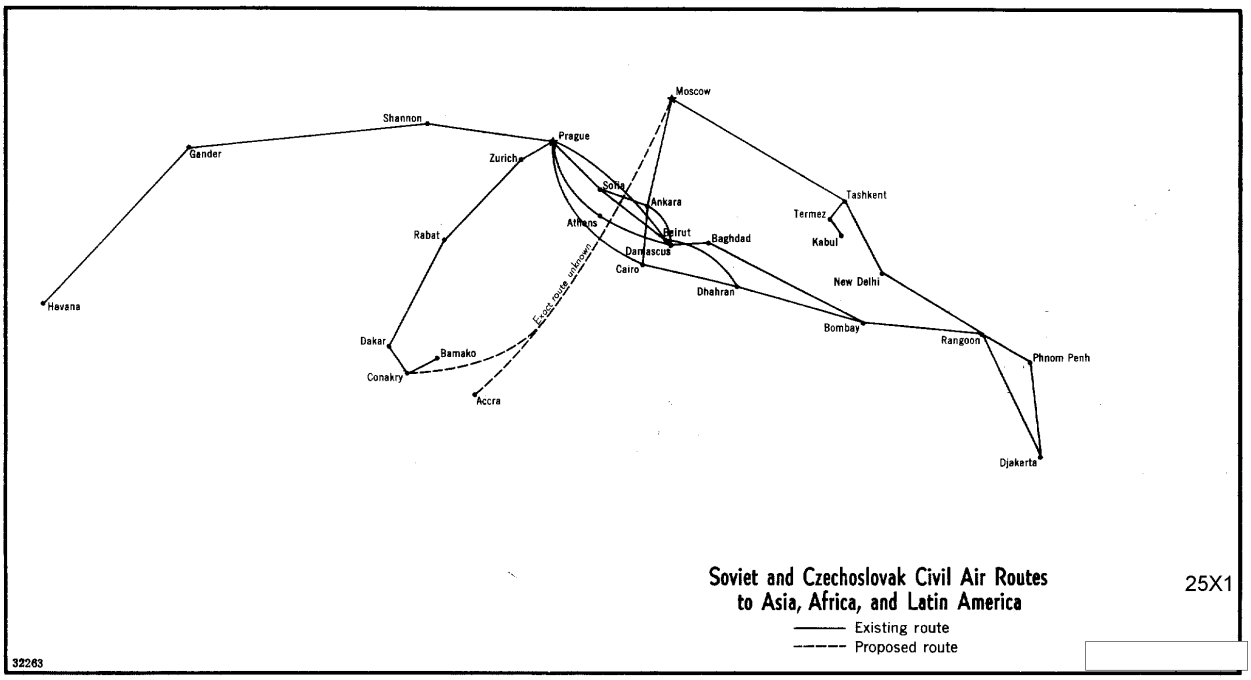

Soviet and Czechoslovak Civil Air Routes to Asia, Africa, and Latin America

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——— Existing route
----- Proposed route

started air service to Prague via the Azores in February 1961, Czechoslovakia could not establish its route until it had obtained overflight privileges and technical landing rights from the United Kingdom, Ireland, and Canada.

After protracted negotiations the Czech airline obtained overflight and landing rights from Lebanon and sent an inaugural flight to Rangoon through Beirut last December. The Czech airline has also begun a route to Baghdad via Beirut and Damascus after obtaining overflight and landing rights from Turkey.

Phnom Penh has been added to the Czech airline's Bombay-Djakarta route, and preliminary talks on possible Czech flights to Afghanistan have been held. The Czech airline is providing regular service to Mali and Guinea and reportedly is considering the possibility of extending its flights to Freetown, Monrovia, and Lagos, and to Central or South America.

Other satellites in recent months have disclosed similar intentions to expand their international networks. Warsaw has plans to open regular service to nine countries in the middle East, Africa, and the Far East and has expressed an interest in concluding an air agreement with the US.

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ARGENTINA

Argentina's break in diplomatic relations with Cuba on 8 February resulted from an ultimatum to President Frondizi by his own military, who objected to Argentina's abstention at the Punta del Este foreign ministers' conference on the vote to exclude Cuba from the OAS. The military--who still distrust Frondizi--have presented other demands for changes in his policies and advisers. Their chief target is the group of officials connected with Rogelio Frigerio, the President's unofficial adviser, whom they blame for Frondizi's policies on Cuba and on conciliating the Peronistas:

Two pro-Frigerio officials who helped determine Argentina's OAS policy resigned on 14 February--Under Secretary of Foreign Affairs Oscar Camilion and Arnaldo Musich, an adviser to Frondizi. The military expect that Foreign Minister Carcano--another of their targets--will resign shortly after the Duke of Edinburgh's 22-30 March visit to Argentina.

Argentina's break with Cuba has not prompted similar action by the other abstainers at Punta del Este--Brazil, Chile, Ecuador, Bolivia, and Mexico. In Brazil there has been some apprehension that its own military would exert similar pressure on the Brazilian Foreign Ministry, but none has been evident, and there has been no substantial demand outside the government for a break. Comment in the majority of Brazilian newspapers has condemned Argentina's military and that country's "political retrogression." The Brazilian foreign minister and his supporters have indicated that Argentine policy will not cause a stiffening of Brazil's attitude toward Cuba. Brazil will handle Cuba's affairs in Argentina.

The Chilean Government considers it unfortunate that Argentina's break with Cuba was taken under overt military pressure, because leftist forces throughout Latin America will attempt to identify anti-Castroism with "fascist military elements." 25X1

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Uruguay, which did not abstain on the OAS vote and has been expected to break relations with Cuba shortly, has prolonged its consideration of the question in view of the strong division of opinion within its nine-man executive, the National Council of Government. 25X1

CURRENT INTELLIGENCE WEEKLY SUMMARY

GUATEMALA

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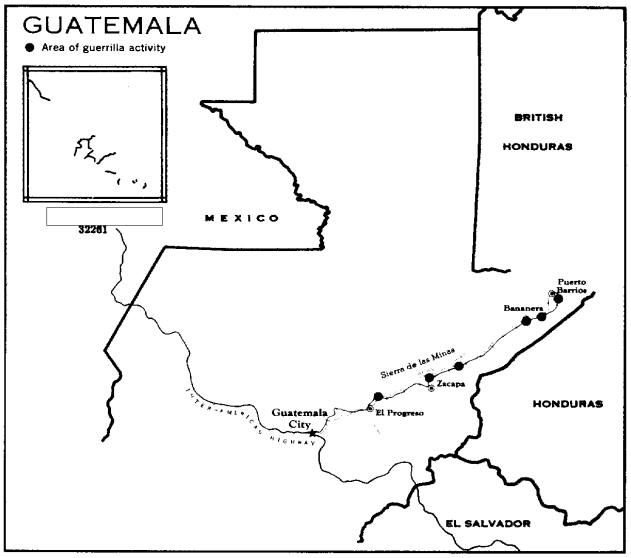

Fighting broke out in eastern Guatemala on the night of 6-7 February when rebel groups attacked a small military post in Bananera and raided the nearby United Fruit Company offices, capturing supplies, weapons, and a large amount of money. Guatemalan Army efforts to pursue the scattered bands of rebels have been hampered, at least initially, by disorganization and confusion. In the week following the initial outbreak, clashes have occurred at a number of points along the Atlantic Highway between Puerto Barrios and El Progreso. Some rebels have been captured or killed, but most appear to be moving by night and hiding during the day in the Sierra de la Minas and a smaller mountain range nearer the coast.

The rebels--numbering 150-400 by Guatemalan estimates --are composed largely of ex-military personnel involved in an unsuccessful revolt on 13 November 1960. Their leader, ex-lieutenant Marco Antonio Yon Sosa, is a native of the Bananera area and is presumably counting on his familiarity with the terrain and contacts among the people for a protracted guerrilla campaign. He has had no apparent alternative since the failure of the initial rebel effort to secure the defection of the key provincial army garrison at Zacapa. There is no confirmation of reports inspired by the rebels themselves that they have been joined by defecting army patrols or that they have picked up support from civilian groups. Unless they gain such support, the rebels are likely within a few weeks to straggle across the nearby Honduran border into another period of exile.

While no conclusive evidence has appeared linking the November 1960 revolt with Communists or pro-Castro groups, the Communists are reported to have tried to penetrate the "13 November" group since that time.

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There is still, however, no clear substantiation of Guatemalan Government claims that the rebels are Castro-supported.

The American Embassy reported on 10 February that it sees no immediate danger of the government's being overthrown. It notes, however, that some nervousness exists in government circles and that, if the rebels are able to sustain protracted guerrilla activity, government and military morale could be worn down.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

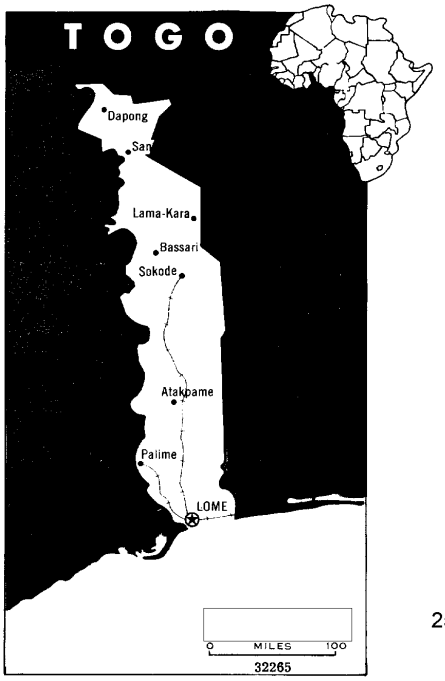
TOGO

Erosion of the domestic popularity of Togolese President Sylvanus Olympio's regime may eventually impair his ability to withstand pressures from Ghana for a union of the two countries. Meanwhile, Ghana will probably continue to resort to subversion in pursuit of its objective. Nkrumah's regime trained and armed the group of Togolese conspirators, drawn from extremist opposition elements, which attempted last December to assassinate Olympio and other key officials. Earlier, Olympio had launched a public campaign for the "return" of former British Togoland, which was joined to Ghana after a plebiscite in 1956, and had granted asylum to exiled Ghanaian opponents of Nkrumah.

Although Olympio received overwhelming support in the national election last April, many Togolese since then have become disenchanted with his essentially conservative regime. Criticism has focused particularly on the absence of the rapid economic and social progress promised before Togo's independence from France in 1960. Most of the development projects which Olympio had hoped would strengthen Togo's marginally viable economy have not yet materialized. Unemployment, a chronic problem, has increased appreciably.

Measures taken by the government following discovery of the December plot have further diminished public confidence. The arrest, in many cases on flimsy evidence, of large numbers of suspects--including some highly respected opposition leaders--and reports of brutal treatment have aroused widespread resentment. This has apparently not been allayed by the subsequent release of some detainees or by the regime effort to convince the public that all the opposition parties and their leaders are guilty of "treason, violence, and subversive scheming." As of mid-January about 90 persons were being held, some of them under a law--similar to Ghana's preventive detention act --permitting the government to imprison persons for several years without trial.

While Olympio appears to be doing little to improve his dangerously weak internal security organization, he has been attempting to strengthen his position by promoting closer ties with Nigeria and Dahomey. Earlier this month he publicly proposed the formation of a three-state customs union. He is also trying to improve relations with Ghana, which itself appears to have switched to a softer approach for the present.



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With President Maga of Dahomey serving as mediator, the foreign ministers of Togo, Ghana, and Dahomey recently met and made plans for a meeting next month of their heads of state.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

PAKISTANI REGIME ENCOUNTERS OPEN OPPOSITION

Pakistani President Ayub is encountering his first serious overt opposition following the arrest of former Prime Minister Suhrawardy for opposing the constitution Ayub plans to promulgate soon.

Suhrawardy is the most prominent of the politicians Ayub ousted when he took over the government with army backing in 1958. A military tribunal convicted the former prime minister of misconduct while in office and barred him from political activity until 1966. He apparently violated his "parole" by attacking Ayub's planned constitution and helping plan party strategy for the elections which are to be held shortly after it is promulgated.

A more important reason for the arrest probably derived from the President's concern over his ability to retain complete control of the government after elections. Ayub apparently hoped to silence this potential rival who still retains a substantial popular following, particularly in East Pakistan, and to intimidate other ousted politicians.

Although the regime seems to be containing the student demonstrations in East Pakistan, the strong reaction in the province is a major setback for Ayub's special efforts to develop more support there. The West Pakistan High Court Bar Association has passed a resolution demanding that Suhrawardy be tried in a court of law, thus throwing much of the prestige of the country's influential legal profession behind the current agitation. The government is concerned about possible trouble from the labor unions and is taking steps to head off labor agitation.

Although the regime seems likely to be able to curb open demonstrations by arresting key leaders and demonstrators, sporadic outbreaks of unrest may continue until Ayub has resolved the constitutional question. In view of his desire to appear as a democratic leader, this unrest presents serious problems: how to suppress elements opposed to his constitution yet gain an appearance of general acceptance for the new governmental system, and how to relinquish his martial law authority yet retain firm control.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

THE PROBLEMS OF EUROPEAN UNION

The six Common Market (EEC) countries are increasingly preoccupied with the political implications of their rapid advance in the last few years toward economic union. As the EEC proceeds into more complex operations--such as the implementation of a common agricultural policy, coordination of economic and fiscal measures, and the conduct of a common commercial policy--the inadequacy of the existing institutional framework has become evident. As the potential significance of the European community in world affairs has been made apparent, interest has grown in the problems of organizing the community as an effective political as well as economic instrument. These problems are no more likely to be permanently solved in Europe than they are in any other political grouping, existing or potential, but they are having to be faced much sooner than had been anticipated. One of the most complex is the issue of confederal versus federal union.

The European unity movement has been characterized throughout the postwar period by conflict between the proponents of a confederal approach to eventual union and the advocates of a federal or supranational approach. The lines between these two groups have never been clearly drawn, but the former may be said to favor cooperation between sovereign states to achieve specified political, military, or economic goals.

The federalists, by contrast, doubt the viability of any organization whose operations are subject to the veto of a single member. Accordingly, they hold that the nation-states should relinquish a requisite measure of sovereignty through (a) delegation of decision-making powers to independent or supranational authorities, or (b) agreement that the national representatives will abide by some kind of majority rule in reaching decisions affecting the purposes of the organization.

The confederalists have generally found their strongest support in Britain and the Scandinavian countries, and their views shaped the earlier postwar organizations like the Council of Europe and Organization for European Economic Cooperation. The great federalist leaders, however, have been continentals like Jean Monnet, Adenauer, and De Gasperi, supported especially by smaller countries, like Belgium, which see in supranationalism a guarantee against "big power" domination. The three European communities--the Coal-Steel Community (CSC), EURATOM, and the EEC--are the primary manifestations of the federalist spirit. Although supranationalism was far from being fully realized in any of them, some decisions are made by majority rule; each of the organizations has an independent executive; there is a supranational court; and an assembly, chosen from among the member parliaments, has at least limited powers of review. Implicit in all three communities is the goal of federal union.

De Gaulle's Concept

While the federalist-confederalist conflict is thus part of the history of the

European movement, the current dispute derives largely from De Gaulle's distrust of supranational institutions, his espousal of the concept of a "Europe of Fatherlands," and his formulation in 1960 of proposals for bringing it into being. These proposals were first formally presented by De Gaulle at a meeting with Adenauer in July 1960 and were elaborated by him at a major press conference the following September.

As set forth on these two occasions, the De Gaulle "plan" simply called on the other Common Market countries to take steps with France to coordinate their foreign and domestic policies with a view ultimately to the formation of an "indissoluble confederation." To begin this process, De Gaulle suggested periodic meetings of the heads of governments of the six EEC countries, interspersed with meetings of their ministers for economics, defense, and cultural affairs. These meetings would be prepared by a permanent secretariat which would also be charged with assuring that the decisions--unanimously made--were carried out. The entire apparatus would be brought into operation by a European referendum.

Adenauer's first reaction is believed to have been favorable, but he soon joined the Italians, Dutch, Belgians, and Luxemburgers in strongly opposing the De Gaulle plan. De Gaulle, particularly at his September 1960 press conference, had presented his proposals in a theoretical context, holding that the essential reality of Europe remained the nation-states and that the EEC's supranational commission had, at most, a "technical value."

The other countries accordingly interpreted the plan as a new rejection of the federal union for which the EEC, EURATOM, and the CSC had been paving the way, and they saw in the permanent secretariat a competitor to the EEC institutions in Brussels. They were equally suspicious of the proposal for meetings of defense ministers, interpreting this as an attempt by De Gaulle to form a continental defense bloc in support of his aspirations for a three-nation "directorate" within NATO, or even as an alternative to that alliance.

The Bonn Declaration

Confronted with this solid opposition, De Gaulle met separately with the heads of government of each of the EEC countries in the fall of 1960 in an effort to sell his plan. By offering reassurances and a number of concessions, he won a generally favorable response from all except the Dutch. De Gaulle apparently agreed that the EEC's institutions were inviolate; he offered to bring the EEC's parliamentary assembly into the political deliberations of the Six; he temporarily abandoned the idea of the secretariat; and, according to Adenauer, pledged "loyalty to NATO" and agreed not to press for coordination of defense policies. As an indication of the favorable impression these concessions made--even on ardent federalists--Monnet came out in favor of a confederalist approach, provided it was considered an initial step toward a federal union operating by majority rule.

While a meeting of the six heads of government in February 1961 failed to reach any agreement, largely because of Dutch

opposition, a new attempt was made at a summit meeting in Bonn on 18 July. The result of this meeting was the so-called Declaration of Bonn which, while still ambiguous and reflecting the Dutch reservations, nevertheless amounted to a general endorsement of a modified De Gaulle plan. Referring to a "determination to develop their political cooperation toward the goal of European unification," the six leaders agreed to hold periodic meetings at the heads of government and ministerial levels--these meetings to be prepared by a "committee" (i.e., the old secretariat idea). In addition, this committee was instructed to submit proposals as soon as possible on "ways and means which would make it possible to give the unification of these peoples a statutory nature."

The October Draft

This agreement to begin drafting a European statute or constitution has been generally recognized as an important advance. Nevertheless, the responsible committee, set up in February and called the Fouchet Committee after its French chairman, had made no significant progress by October 1961 in fulfilling its mandate. This was due, at least in part, to the resumption of the struggle between the federalists and the confederalists and to the continuing suspicion--particularly in the Netherlands--that the political treaty would lend itself to French, or French-German, domination of the Continent. However, the major new complicating element was Britain's formal application for EEC membership on 10 August and the Dutch determination that London be represented in the confederation talks.

In an effort to break the resulting stalemate, the French presented to the Fouchet Committee on 19 October a full-blown draft treaty and urged its approval in time for signature early in 1962. Prepared by De Gaulle himself, the draft preserved basic features of his 1960 proposals but nevertheless went some distance toward meeting the point of view of the other countries. It called for the formation of a "union of states," the aims of which would be the adoption by its members of common foreign and defense policies and their close cooperation in science and culture.

The institutions of the union would be a council (heads of government or national ministers), the EEC's parliamentary assembly, and a political commission. The council would meet at least every four months. While decisions would be adopted unanimously and be binding on those countries which had approved, absence or abstention would not be interpreted as a veto. The commission would "prepare and implement" the council's deliberations, and the assembly would have rights of interpellation and recommendation with respect to the council. After three years, the treaty would be revised for the expressed purpose of strengthening the union--specifically to establish a "unified foreign policy" and to centralize within the union the three European communities.

Reactions to the October Draft

At a meeting of the Fouchet Committee on 10 November, Bonn, Rome, and Luxembourg generally endorsed the new draft but proposed a number of amendments, some of which were accepted by the French. Among these were

provision for an independent secretariat in addition to the commission, a stronger role for the assembly, and explicit assertion that common defense policies would contribute to the strength of NATO. The reaction of the Netherlands was again violently negative, however. Its representative insisted that the Dutch had never agreed to six-nation consideration of defense matters. Although the Belgian representative was somewhat milder, he also declared that Brussels could never accept a treaty so minimally supranational in content, and he joined the Dutch in insisting that London participate in the talks.

The persistence of The Hague and the intermittent efforts of Brussels in trying to drag London into the dispute are explicable largely in terms of their small-power psychology. Lacking the assurance against domination in any political union which federal institutions might provide, the Dutch and the Belgians looked to London not for any immediate support of supranationalism but as a balance to the weight of the French and the Germans. Indeed, when the negotiations on Britain's accession to the EEC formally opened on 10 October, the British representative, Lord Privy Seal Heath, specifically endorsed the Bonn declaration with its implicit confederalism.

Moreover, while trying to avoid taking sides, London has on various occasions since then shown its basic sympathy for the De Gaulle approach. This position is in keeping with Britain's official opposition throughout the postwar period to federal European union. It also reflects the concern of the Macmillan government that confronting the House of Commons with a political treaty involving a further relinquishment of British sovereignty--in addition to that required for EEC membership--might jeopardize ultimate ratification of that membership.

In any case, because of the adamant opposition of the Dutch and Belgians the next meeting of the Fouchet Committee scheduled for late November was postponed, with Belgium's Spaak requesting instead a meeting of the foreign ministers. At this meeting, which convened on 15 December, Spaak vented his increasing uneasiness over the outlook for a federal union in view of the French refusal to go much beyond a loose confederation and in view of the prospective enlargement of the EEC with countries which either shared the French view or, like the Swiss, Swedes, and Austrians, refused to participate in a political union of any sort.

While the foreign ministers declined to take a direct stand on whether or not the neutrals should be permitted to associate with the EEC, Spaak did obtain agreement that any country which became a Common Market member would also be "obliged" to work toward political unity. Armed with this commitment, Spaak subsequently proposed to strengthen the October French draft with various amendments, the precise nature of which has not been reported. Spaak is known to believe, however, that any political treaty should at least provide for a "second stage" of development in which decisions would be made by majority vote.

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Tactical Maneuver by De Gaulle

French officials warned that continued Dutch and Belgian unwillingness to accept the amended October proposal could cause De Gaulle to revert to earlier demands, and when the Fouchet Committee finally reconvened on 18 January, the other EEC countries were confronted with still another French draft. The new proposal, also prepared personally by De Gaulle, not only failed to include many of the amendments proposed by the other countries in the previous three months, but in several significant respects was weaker even than the October draft. For example, it no longer alluded to the strengthening of NATO as one of the objectives of a common defense policy; it implied that EEC decisions would be subject to review in the new organization; and it gave no precise definition of the purposes for which the treaty would be revised within three years.

As De Gaulle may have anticipated, reactions to this new maneuver were sharp and bitter, with charges that he had regressed from the 19th century to the 18th. At the Fouchet Committee meeting on 25 January, the five other countries were agreed that the integrity of the EEC's institutions must be respected, that the common defense policies of the new organization must aim at strengthening NATO, and that the ultimate goal must be genuine political union. Although not fully in accord as to practicable measures which could be taken at this time to assure the achievement of this goal, they were agreed on the need for eventual direct election of the European assembly, some kind of majority voting in the council, and unification of the three communities within the new organization.

Outlook

Given the conflicting national interests involved, it is difficult to say whether a compromise will begin to take shape in the foreign ministers' meeting later this month. Despite differences in theoretical approach, the six countries appear to be coming together on something like the October draft as a practical compromise. Moreover, De Gaulle is known to attach major importance to early agreement on some kind of European political structure. He considers it essential to tie West Germany to the West, and the recent Soviet overtures to Bonn may have increased his anxiety to develop these ties further in the foreign policy and military fields.

It is questionable, however, whether he is willing to accept real limits on French freedom of action in order to achieve this. Even though De Gaulle agreed on 14 January to a far-reaching EEC farm policy which is essentially federal in structure, his great disdain for the federalist concept was again manifest in his 5 February address.

The other EEC countries are also caught in a dilemma. As the Common Market encourages a worldwide relaxation of tariff barriers, these countries see its preferential system declining in significance as the cohesive element of the community. To avoid a loss of community identity and to maintain the present momentum, they see a growing need for political integration. While confederation could prove to be a step in this direction, there is no guarantee that it would--especially as the EEC adds new members which have not heretofore shared in laying the foundations of a united Europe. The federalists, however, are also painfully aware that to insist on federal union now involves a risk of an adverse vote by the British House of Commons on Britain's accession to the EEC. 25X1

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CURRENT INTELLIGENCE WEEKLY SUMMARY

COMMUNIST AIMS IN INDONESIA

Indonesia's intensified campaign to acquire the Dutch-held territory of West New Guinea has focused attention on the substantial role being played by the USSR in support of Djakarta's military establishment. Since 1958, Moscow had demonstrated its ability and willingness to provide Sukarno with the arms the Indonesian leader feels are necessary to realize his country's ambitions for big-power status in Asia. The Soviet Union probably feels that this will encourage Indonesia's neutralism at the expense of Western interests and create conditions favorable to an expansion of Soviet influence in Southeast Asia.

Moscow has always viewed its arms program as an excellent vehicle for penetrating military services and, in the case of Indonesia, probably is convinced that increasing reliance on Soviet weapons will gradually erode the anti-Communist position of the Indonesian Army, which Sukarno has used to counterbalance the power of the country's Communists. Soviet arms deliveries are vital to the success of any military take-over of West New Guinea, and the West's expanding boycott of arms supplies to Indonesia will probably influence Sukarno to depend even further on the USSR for military assistance.

The Soviet campaign in Indonesia is probably directed also at solidifying Moscow's position there--already stronger than Peiping's--and ensuring that the dominant bloc voice influencing the direction of Indonesian policy will continue to be that of the Soviet Union. However, Communist China, whose long-range policy goal to extend its hegemony throughout Asia is threatened by the USSR's drive in Indonesia, has also moved to establish closer relations with Djakarta. Peiping has assured Sukarno of its full support for any military move against the Dutch and is moving to exploit Indonesian sentiment for pan-Asian solidarity and ambitions for Afro-Asian leadership. The Chinese Communists gave exceptional prominence to Indonesia's role at the Belgrade conference of nonaligned states and have repeatedly urged Djakarta to call for a second Bandung conference.

Soviet Cultivation of Indonesia

Sukarno initially turned to the Communist bloc in an effort to reduce his country's heavy reliance on trade ties with the West. This was in accordance with his "active independent" foreign policy aimed at achieving a balance in relations between the major Communist and non-Communist nations. Sukarno was also particularly anxious to eradicate Dutch influence over Indonesia's economy. Increasing economic difficulties made improvement in this sphere heavily dependent on external assistance. In late 1957, Djakarta seized Dutch interests in Indonesia, and Sukarno's aspirations toward West New Guinea assumed a greater anti-Western cast. Soviet officials moved swiftly to assure Djakarta that they were willing to render all assistance necessary to alleviate any economic dislocations which resulted from the rupture with the Dutch. Indonesia viewed Soviet offers of economic assistance as a means of expanding the economy in the agricultural and industrial sectors.

Sukarno's belief that the United States was behind

the armed civil rebellion which erupted in 1958 in the outer islands, and the continued refusal of the West to fill long-requested Indonesian military requirements inclined the Indonesian leader to be more receptive to bloc offers of economic and military aid. A Soviet $100,000,000 economic loan, offered first in 1956, was accepted by the Indonesians in early 1958 and was quickly implemented with the delivery of Soviet cargo ships to compensate for the withdrawal of Dutch shipping on which Indonesian interisland transportation depended. The first major delivery of bloc arms was made in 1958. Until 1960 almost all bloc arms shipped to Indonesia--about $225,000,000 worth--were supplied by the European satellites and Communist China. However, much of the military equipment apparently originated in the USSR, and Moscow early established training programs in Indonesia to handle the military assistance program.

Later events reflected a sensitivity on the part of Soviet leaders to signs of improved US-Indonesian relations, and continued restrictions on the Indonesian Communist party (PKI) apparently aroused concern in Moscow. In an effort to forestall Indonesian acceptance of additional Western aid for major development programs, Soviet officials assured Indonesia that further project requests would be accepted by the USSR and that new loans would be proffered. The bloc role in the Indonesian economy and military establishment was dramatized by the announcement from Moscow that Khrushchev would visit Indonesia in February 1960 as part of an extensive Asian tour.

Khrushchev's Visit

The Soviet premier's stay in Indonesia was the highlight of his Asian tour, and his activities there demonstrated his efforts to bolster Soviet prestige in Asia. The USSR was clearly concerned that events since Khrushchev's previous trip to non-Communist Asia in 1955 had eroded the Soviet image there. Moscow seemed determined to assure itself that Sukarno intended to continue his policy of nonalignment.

Although one reason for Khrushchev's trip to Asia was to offset the effect of President Eisenhower's visit the previous December, another important consideration seems to have been to repair the damage to Communist prestige resulting from Peiping's aggressive policies in the area. The Soviet leader's trip included India, whose relations with China were being strained by their border dispute; Indonesia at the time was engaged in a bitter dispute with Peiping over the forcible removal of thousands of Chinese from Indonesian rural areas to the cities. During his tour, Khrushchev indicated his concern that Peiping's attitude might cause President Sukarno to reappraise his attitude toward the whole Communist bloc.

The Soviet premier displayed irritation over Peiping's handling of the Overseas Chinese problem and pointedly referred to Indonesia's right to conduct its own internal affairs. Khrushchev throughout his trip played on the historical Indonesian dislike of the Chinese and emphasized Moscow's greater ability to assist in Indonesia's economic development. His statements amounted to a repudiation of Peiping's actions

as a potential hindrance to the USSR's position in Indonesia, and Khrushchev probably considered his success in restoring Communist prestige as one of the most important results of his trip. The Soviet leader's visit also benefited the Indonesian Communists, who had tried to remain aloof from the Overseas Chinese dispute. The visit had the effect of distracting attention from the dispute and taking the heat off the party.

Khrushchev climaxed his ten-day visit with the signing of a $250,000,000 economic and technical cooperation agreement --to which the Indonesian Army was opposed. Indonesia's economic problems were steadily increasing, and Moscow's new assistance provided for extensive industrial projects and agricultural development. A separate agreement reached between Khrushchev and Sukarno provided for Soviet equipment for the Indonesian Navy and marked the USSR's formal entry into the Indonesian arms procurement picture.

Soviet Aid

The USSR now has extended a total of more than $400,000,000 in economic aid and credits to Indonesia. Much of this assistance is still in the initial stages of implementation, but Soviet technicians are working on the construction of factories, roads, a sports stadium, an atomic reactor, and other projects. Even more important from the Soviet viewpoint has been the conclusion of arms agreements totaling more than $600,000,000 and a consequent strengthening of Soviet influence over Indonesia's military structure.

The first of the major arms pacts was negotiated in September 1960; it covered aid for the navy and provided for a wide variety of ships, including units for amphibious operations. An agreement signed in Moscow in January 1961 during a visit by Army Chief of Staff Nasution provided extensive aid to all three services; for the first time large amounts of bloc equipment were purchased by the Indonesian Army. A subsequent agreement with the army was concluded in June 1961.

The Soviet leaders went to great lengths to impress Nasution and other army leaders with their support of Indonesia's claim to West New Guinea. Moscow probably feels that the army's dependence on the USSR for military assistance in its planning for action against West New Guinea will upset the balance Sukarno has tried to maintain between the army and the Communists in Indonesia and undercut the former's opposition to Sukarno's plans to include the Communists in his cabinet.

Moscow, Peiping, and the PKI

Peiping, meanwhile, has been trying to recover lost ground. Foreign Minister Chen Yi last spring led a good-will delegation to Indonesia which erased some of the ill will engendered by the Overseas Chinese dispute. A $30,000,000 Chinese economic aid program, which lay dormant during the period of the dispute, has been reactivated. Peiping has also sought to encourage Sukarno to look to Communist China for the solution of uniquely Asian problems. At the same time, Peiping has probably warned those members of the PKI who sympathize with its point of view that the party is in danger of losing its revolutionary character if it refuses to adopt more violent tactics when a suitable opportunity presents itself.

Unlike Peiping, Moscow wholeheartedly endorses the PKI's policy of cooperation with Sukarno as the most effective means for ensuring continued Communist gains in the Indonesian political sphere. The PKI actively cooperates with Sukarno's "national bourgeois leadership" and rarely goes beyond a public posture of complete approval and support of governmental policy. Sukarno in turn views the party as a large, disciplined group willing to give its full support for his programs. However, there is within the PKI a militant minority faction, generally regarded as pro-Peiping, which has vigorously criticized the party's support for Sukarno. This faction, which fears that the party is gradually losing its identity, would prefer to follow the more militant revolutionary line advocated by Communist China and adopt a harder line against Sukarno.

The Sino-Soviet dispute has exacerbated factionalism in the PKI and threatens its position in the Indonesian political structure. Party Chairman D. N. Aidit, long loyal to Moscow, is concerned that the Sino-Soviet struggle may strengthen the militant faction in the party and force the PKI to adopt a more vigorous domestic policy to advance the Communist cause--a course which in the past has brought swift repression by the army. Aidit finds that Khrushchev's actions have posed a dilemma for him which stems in part from the problem of authority and control inherent in all the Asian parties. Minority factions, while adhering to the orthodox party line, are continually casting about for vital political issues which can be legitimately exploited in an attempt to wrest control from the majority leadership. The Sino-Soviet dispute provides a ready weapon in this continuing struggle for power.

Aidit was embarrassed by Khrushchev's tactics at last October's Soviet party congress and [redacted] was irritated by the Soviet leader's public airing of the Albanian dispute. Aidit later admitted publicly that the PKI delegation was completely unaware of any impending Soviet attack on Albania. Aidit's public remarks on the Soviet party's relations with Albania and China, which apparently move the PKI closer to the Chinese Communist position on the issue of authority in the world Communist movement, may reflect the successful exploitation by the pro-Chinese faction of Khrushchev's actions at the party congress. On the other hand, it is quite possible that Aidit indicated sympathy with the Chinese viewpoint only to avoid antagonizing the leftist faction and to reduce the chance of impairing party unity.

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It would be premature to conclude either that the militant faction has gained ascendancy or that Aidit now has moved to align the PKI with Peiping on other basic issues of tactics and strategy. At the 7th PKI congress, expected to be held in April, Aidit intends to have written into the party's constitution changes which reflect its support for such "bourgeois" notions as Sukarno's concept of "guided democracy," in which all political parties, including the Communists, submerge their identities and interests in support of the government. Aidit, who has already won central committee approval of these changes, may be apprehensive over the probability that the militant faction will oppose his decision openly. He has directly appealed to the party congress to adhere to the

principles of democratic centralism and has issued a significant warning against resistance from factional groups.

It seems unlikely that the PKI intends to swerve from its
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To this extent, the current build-up of tensions surrounding the West New Guinea issue is politically advantageous for the PKI. The party has stressed the importance of relying on the threat of armed force as a lever with which to extract political concessions
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Outlook

Soviet officials in Djakarta and Moscow have attempted to arouse Sukarno's suspicions of Western intentions toward his government. Moscow recently issued a strong government statement protesting the continued Dutch refusal to turn over West New Guinea to Indonesia. The official protest, which probably was requested by the Indonesians, warned the Dutch Government of the dangerous consequences of this policy and stated that the USSR could not remain a "mere spectator" in the face of Dutch provocations against Indonesia. The statement implied that the Dutch would not be as steadfast in their deliberations with the Indonesians were it not for the active support of NATO and SEATO. Soviet leaders probably feel that focusing their propaganda efforts on this aspect of the West New Guinea dispute will convince Sukarno that the US is either unable or unwilling to exert pressure on the Dutch.

Although Moscow is probably advising Indonesian leaders privately to proceed cautiously in any military move to gain possession of West New Guinea--and avoid risking another defeat similar to the naval setback on 15 January--the USSR and the PKI continue to exploit the situation as part of their long-range drive to gain a preponderant influence in the Indonesian Government. The Soviet Union is already delivering advanced military equipment to Indonesia, and Djakarta reportedly intends to request accelerated deliveries of air force equipment. Although it is probable that by mid-1962--Sukarno's reported target date for attacking West New Guinea--Indonesian forces will be capable of operating some of the advanced equipment delivered by Moscow, they will not be able to fully assimilate and make effective use of all the equipment until at least sometime in 1963.

The USSR probably feels that continuing pressure by Sukarno, backed up by the threat of military action, will eventually compel the Dutch to transfer the administration of the disputed territory to Indonesia. Any settlement accommodating Indonesian demands would be offered by the USSR as demonstrable proof of its ability and willingness to render all-out support for these "independent national democracies" which are ready to maintain the fight against colonialism.
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